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No. 09-198

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

MEDELA AG and MEDELA, INC.,

Petitioners,

—against—

KINETIC CONCEPTS, INC., KCI LICENSING, INC., KCI USA, INC., and WAKE FOREST UNIVERSITY HEALTH SCIENCES,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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CORPORATE DISCLOSURE STATEMENT

Petitioners' corporate disclosure statement was set forth at page ii of their Petition for a Writ of Certiorai, and there are no amendments to that statement.

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William F. Lee et al., *Reflections on the Ongoing Role of Juries in Determining Obviousness in Patent Cases After the Supreme Court's Decision in KSR*, 76 Pat. Trademark & Copyright J. (BNA) 1 (2008) 6

Six major U.S. corporations (Apple, Inc., Cisco Systems Inc., Google, Inc., Microsoft Corp., Symantec Corp., and Yahoo!, Inc.) have urged this Court to grant certiorari in this case, because [i] "general jury verdicts regarding obviousness, such as that employed in the present case, have become commonplace, if not standard practice"; [ii] "such general verdicts on the ultimate legal question of obviousness inadvisably sideline judges from fulfilling their critical responsibility to decide this important legal issue"; and [iii] "misapplication of this Court's obviousness jurisprudence has created practical litigation problems that are so chronic that the issue is particularly worthy of the close attention of this Court." Brief for Apple et al. ["Apple Br."] at 2, 4.

In another brief authored by former Solicitor General Theodore Olson and filed on behalf of Intel Corporation, SAP America, Inc., and Shoretel, Inc., the amici similarly urge this Court to grant certiorari in this case, because: "The Federal Circuit's failure to require an independent judicial (rather than lay jury) determination of obviousness [i] presents an issue of substantial and recurring practical importance," [ii] "provides patent holders possessing invalid patents with a tactical advantage in bringing an infringement suit, [iii] renders patent litigation more costly and uncertain, and [iv] prevents meaningful judicial review." Brief for Intel et al. ["Intel Br."] at 16.

In addition to underscoring the practical importance of the question presented in the Petition, the amici briefs confirm undeniable points that support certiorari in this case, including:

- the clear and acknowledged circuit split between long-standing Federal Circuit precedent and en banc holdings by the Ninth and Seventh Circuits (Pet. at 11-17; Apple Br. at 18-22; Intel Br. at 13-16);
- the conflict between Federal Circuit precedent and this Court's precedent applying 35 U.S.C.

§ 103 including *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), wherein this Court stated that analysis of patent validity under § 103 "should be made explicit" so as "[t]o facilitate review," *id.* at 418 (Pet. at 17-19; Apple Br. at 8-9; Intel Br. at 4, 8-13);

- the conflict between Federal Circuit precedent and this Court's precedent prescribing the allocation of decisional power between judge and jury in other areas of law (Pet. at 19-22; Apple Br. at 23 & n.5; Intel Br. at 10-13);
- the practical impediment to meaningful post-trial or appellate review of patent validity issues that Federal Circuit precedent has created (Pet. at 17-18; Apple Br. at 4-6, 16-18; Intel Br. at 4-5, 16-22); and
- the appropriateness of using this case as a vehicle to address the question presented in the Petition (Pet. at 24; Apple Br. at 25; Intel Br. at 22).

Lacking any substantial basis for arguing that the question presented in the Petition does not merit this Court's review, Respondents devote the bulk of their opposition to groundless arguments that Petitioners purportedly are not entitled to raise the question presented in the Petition. Tellingly, however, Respondents do not cite or discuss this Court's precedents defining when an issue is properly presented for this Court's review.

This Court has articulated a clear and crisp test for whether an issue is properly presented for review in this Court: "Any issue 'pressed or passed upon below' by a federal court is subject to this Court's broad discretion over the questions it chooses to take on certiorari." *Verizon Communications Inc. v. FCC*, 535 U.S. 467, 530 (2002) (quoting *United States v. Williams*, 504 U.S. 36, 41 (1992)). As discussed in point 1 below, both of those alternative prongs to that test are satisfied here, as the question presented

in the Petition was both "pressed" in and "passed upon" by the Court of Appeals below.

Further, as discussed in point 2 below, Petitioners most certainly did not "consent" to "giving the issue to the jury." Opp. at i. Respondents never once raised this argument below, and for good reason: Petitioners never agreed to have the jury decide obviousness and unequivocally sought to have the courts below determine the obviousness issue independently.

Respondents' other arguments for evading review in this Court are equally meritless as set forth in points 3-8 below. One of Respondents' arguments – that this case implicates "the proper *constitutional* role of the jury in patent cases" (Opp. at 33; emphasis in original) – at best contributes an additional reason for *granting* certiorari in this case, as this Court is the final arbiter of constitutional issues in our legal system.

1. The Question Presented in the Certiorari Petition Was Pressed and Passed Upon Below.

Petitioners devoted an entire section of their Federal Circuit brief to the argument that: "The District Court Erred in Not Making Its Own Conclusion on Obviousness." Pet. C.A. Br. at 54. Countering that argument, the Respondents relied solely on Federal Circuit precedent to argue that "'the issue of obviousness may be given to the jury with proper instructions'" and that, when the issue is so given to the jury, the "court's review of the verdict" is limited "to ensur[ing] that it was supported by substantial evidence." Resp. C.A. Br. at 65 (quoting and relying on *Newell Cos. v. Kenney Mfg. Co.*, 864 F.2d 757, 764-65 (Fed. Cir. 1988)).

The majority opinion below expressly addressed Petitioners' "argument . . . that the district court erred by failing to conduct its own obviousness analysis," Pet. App. 19a; *see also id.* at 12a (correctly stating that Petitioners here were "contend[ing] that the district court was required to conduct its own

independent obviousness analysis and erred by simply reviewing the jury's verdict for substantial evidence"). The majority rejected Petitioners' argument on the merits, holding that, because "KCI presented substantial evidence to support its interpretation of the references," the court was required to "assume" that the jury adopted a certain legal rationale and found certain facts (*id. at* 20a), assumptions that did not even pretend to be grounded in any *actual* findings or legal rationale that the jury used or applied. *See id.* at 17a ("This court reviews these factual determinations, whether explicit or *implicit within the verdict*, for substantial evidence") (emphasis added).

In sum, the Federal Circuit in this case engaged in precisely the sort of *non*-independent review that Petitioners objected to below and that Respondents championed below. The court decided the issue, siding with the Respondents' arguments. That ruling plainly engages the relevant circuit split and unequivocally provides the proper procedural foundation for raising the question presented in the Petition.

2. Respondents' "Consent" Argument Was Never Presented Below and Is Baseless.

For the first time in this Court, Respondents assert that Petitioners purportedly "*consented* to giving the issue of obviousness to the jury." Opp. at i (emphasis in original), with the purported result that Petitioners are thereby somehow disabled from raising the question presented in the Petition. Respondents never made this "consent" argument below. Indeed, the word "consent" appears nowhere in the Respondents' brief below, and not surprisingly, also appears nowhere in the Federal Circuit's opinion. Those clear and unequivocal facts are entirely sufficient to reject the notion that some fictitious "consent" could present a procedural problem in this case.

The Respondents' "consent" argument is also baseless. Not once in the entirety of their Opposition

Brief do Respondents cite to any portion of the record to prove that Petitioners gave "consent" to a jury determination of obviousness that would preclude independent judicial determination of that issue. Even under Ninth Circuit precedent, juries may render advisory verdicts on obviousness under Federal Rule of Civil Procedure 39(c)(1).

The relevant issue—the issue on which there is an acknowledged circuit split—is not *whether* a jury may express a lay opinion on the legal question of obviousness, but rather *what effect* such a verdict should have, *i.e.*, whether a jury verdict on the legal question of obviousness is properly held to preclude a court's independent review of that question. That issue was fully presented, joined in argument by both sides below, and decided by the Court of Appeals.

Consistent with its longstanding precedent, the Federal Circuit here held that a jury verdict on the legal question of obviousness operates to preclude independent judicial determination of that issue. The Ninth and Seventh Circuits have held that such a jury verdict has no such preclusive effect. *See* Pet. at 11-14; Apple Br. at 18-22; Intel Br. at 13-16. This issue was both pressed and passed upon below, and is thus properly presented to this Court for review.

3. The Question Presented in the Certiorari Petition Does Not Challenge the Jury Instructions.

Respondents' argument that Petitioners did not "object to the instructions on obviousness," Opp. at 7, is utterly irrelevant, because the question presented for certiorari also does not challenge the jury instructions on obviousness.

Petitioners' discussion of the jury instructions (Pet. at 5-6) was intended to illustrate how legal conclusions of obviousness depend on complex weighing and balancing of multiple interdependent factors, and that jury instructions on obviousness cannot substitute for a law school education in patent law.

The record of this case illustrates the wisdom of the approach of the Ninth and Seventh Circuits, under which a jury's general verdict of obviousness is, at most, advisory.

4. The Federal Circuit's Hortatory "Encouragement" of Factual Interrogatories Does Nothing to Address the Circuit Split

Respondents repeatedly argue that "the Federal Circuit has *encouraged* parties to request the submission of factual interrogatories to the jury precisely to facilitate the review of the verdict." Opp. at 3 (emphasis in original); *see also id.* at 1, 14 & 19. The key words in that passage are "encourage" and "request."

It is true that some Federal Circuit cases have included dicta "counsel[ing] district courts in appeals to us that specific answers from the jury on factual issues are *desirable*," *Structural Rubber Prods. Co. v. Park Rubber Co.*, 749 F.2d 707, 720 (Fed. Cir. 1984) (emphasis added), but under unequivocal and long-standing Federal Circuit precedent, it is entirely proper for a district court to deny such requests. *See, e.g. Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 627 (Fed.Cir. 1985).[1] It is thus simply incorrect to assert, as Respondents do, that "Medela could have avoided the need to have the Federal Circuit presume the jury's factual findings simply by asking for special interrogatories on the facts underlying the obviousness issue, as the Federal Circuit has expressly encouraged." Opp. at 19.

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[1] Any supposed "encouragement" of special interrogatories in patent cases has also been stunningly ineffective, for as amici note (Apple Br. at 4), the pattern jury instructions routinely used in the lower courts show a "clear trend" that "favors a general verdict approach (leading to so-called 'black-box verdicts')." William F. Lee et al., *Reflections on the Ongoing Role of Juries in Determining Obviousness in Patent Cases After the Supreme Court's Decision in KSR*, 76 Pat. Trademark & Copyright J. (BNA) 1, 4 (May 30, 2008).

Furthermore, it was Respondents, not Petitioners, that demanded trial by jury in this case and opposed independent judicial determination of the issue of obviousness. Under Federal Rule of Civil Procedure 49(a)(3), a party seeking to have a jury decide an issue of fact must demand its submission to the jury or be deemed to have waived the right to jury trial on that issue. In these circumstances, Petitioners' right to seek review of the question presented by the Petition can hardly be diminished by reason of the *Respondents'* waiver of their claimed right to trial by jury of facts pertinent to whether subject matter claimed in Respondents' patents was properly deemed "non-obvious subject matter."

5. Respondents Fail to Distinguish the Circuit Split.

Respondents concede that Federal Circuit precedent stands in open conflict with Ninth Circuit precedent. Opp. at 20. The only issue of dispute is the depth of the circuit split.

Respondents assert that Federal Circuit precedent is purportedly "fully consistent" with Seventh Circuit precedent. Opp. at 25. It is not.

As set forth in the Petition (Pet. at 13-15), Seventh Circuit precedent holds that a jury may render a verdict on the legal question of obviousness *only* in circumstances where that legal conclusion *necessarily* follows from *particular* predicate facts and the district court instructs the jury "that it should return one verdict if the facts are found one way and a different verdict if the facts are found otherwise." *Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324, 1341 (7th Cir. 1983) (en banc) (quoting *Panther Pumps & Equip. Co v. Hydrocraft, Inc.*, 468 F.2d 225, 228 (7th Cir. 1972)).

As amici note, it is only in an exceedingly unusual case, such as one in which "the only factual dispute is whether or when an article was actually published" (Apple Br. at 16), that a district court will be able to give the type of instruction that, under

Seventh Circuit precedent, will permit a lay jury "to express its opinion on the legal issue." *Roberts*, 723 F.2d at 1342. The theoretical possibility of such cases renders no less real and substantial the conflict between Federal Circuit and Seventh Circuit precedent identified in the Petition (Pet. at 14-15) and amici briefs (Apple Br. at 19-20; Intel Br. at 14).

If Seventh Circuit precedent had been applied in this case, where the jury was tasked with determining both a legal issue (namely, the legal meaning of the patent claim word "wound"; *see* Pet. App. 36a-41a) and multiple different factual issues that bore on the ultimate legal determination of obviousness (*see* Pet. at 5-6), the result clearly would have been reversal, not affirmance; for as the Seventh Circuit held on similar facts: "the trial court could not presume, nor may we, that the facts were found in favor of Roberts merely because the jury ultimately made the legal determination that his patent would not have been obvious." 723 F.2d at 1342.

6. Post-KSR Federal Circuit Decisions Do Not Militate Against Granting Certiorari.

The three post-*KSR* Federal Circuit decisions cited by Respondents demonstrate that, even under the extremely deferential standard of review applied by the Federal Circuit, some jury verdicts cannot withstand scrutiny because no "reasonable jury" could have possibly rejected obviousness defenses on given records. Such decisions hardly inspire confidence in a legal regime that routinely allows juries to render general "black box" verdicts on the legal issue of obviousness.

More importantly, those cases clearly do not show that the Federal Circuit "is committed to conducting an independent review of jury verdicts concerning obviousness." Opp. at 18. Even the Respondents' own description of those cases makes clear that the Federal Circuit is not independently determining obviousness questions but is instead applying the law "to the facts either expressly or implicitly

found by the jury." *Id.* Indeed, in all of the cited cases, the jury made no explicit factual findings and the Federal Circuit was "re-creating facts as they may have been found by the jury." *McGinley v. Franklin Sports, Inc.*, 262 F.3d 1339, 1351 (Fed. Cir. 2001). *See* Pet. at 4, 8-9. That is precisely the sort of procedure expressly condemned by en banc decisions of the Ninth and Seventh Circuit. *See* Pet. at 12-14.

7. The Court's Prior Grant of Certiorari in Lockwood Supports Granting Certiorari Here.

As noted in the Petition (Pet. at 22-24), the question presented in *American Airlines, Inc. v. Lockwood*, 515 U.S. 1121 (1995), and the question presented in this case both concern the allocation of power between judge and jury on patent validity issues. Indeed, in arguing in favor of en banc review in *Lockwood*, Judge Nies's dissent expressly relied on precisely the same circuit split that Petitioners have asserted here. Thus, the objective facts demonstrate that, contrary to Respondents' arguments, the questions presented in the two cases are quite similar.

It is also true that the question presented in *Lockwood* was different: Because it was limited to the declaratory judgment posture, the question there was narrower and much less frequently litigated, and unlike in this case, the question in *Lockwood* arose in an interlocutory posture in which the question was always susceptible to being rendered moot. Still, this Court granted certiorari. Thus, while Respondents are correct that the two cases are different, all of the distinctions between *Lockwood* and this case make this case appear more worthy of certiorari than *Lockwood* was.

8. Respondents' Constitutional and Other Merits Arguments Provide Additional Support for Certiorari.

Respondents also raise a number of arguments on the merits, but none of these detract from the case for granting certiorari. Several highlight the need for certiorari.

For example, Respondents assert that this case involves "the determination of the proper *constitutional* role of the jury in patent cases." Resp. Br. at 33 (emphasis in original). But Respondents' constitutional argument merely makes review by this Court all the more necessary because, unlike purely statutory issues, Congress cannot remedy a misinterpretation of the Constitution.

Second, Respondents do not even purport to distinguish this Court's clear holding that "the constitutional right to jury trial does not include the right to have a jury pass on the validity of an administrative order." *Cox v. United States*, 332 U.S. 442, 453 (1947). Rather, Respondents merely argue that applying such a generally applicable rule of administrative law "goes too far." Opp. at 28. The absence of any reasoning to distinguish ordinary principles of administrative law provides yet another indication that certiorari is needed here.

Finally, Respondents emphasize that "*none*" of this Court's precedents on the obviousness doctrine of § 103 have directly addressed the allocation of decisional power between the judge and the jury. Opp. at 27 & n.6. But that very lack of explicit guidance, coupled with the circuit split, the importance of the issue, the scholarly and governmental attention to the matter, and this Court's own statements suggesting the importance of explicit analysis, demonstrates the need for certiorari.

CONCLUSION

A writ of certiorari should issue to review the judgment of the Federal Circuit in this case.

Respectfully submitted,

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